Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Message Text

CONFIDENTIAL

PAGE 01 STATE 170938

44
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---------- 009392
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TO AMEMBASSY ROME
INFO USMISSION EC BRUSSELS
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C O N F I D E N T I A L STATE 170938

E.O. 11652: GDS

TAGS: EC, ETRD, PFOR, IT

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 170938

SUBJECT: ITALIAN EC PRESIDENCY: MEETING WITH ITALIAN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

- EMBASSY COMMERCIAL COUNSELOR, JULY 15

SUMMARY. ITALIAN EMBASSY COMMERCIAL COUNSELOR SERAFINI VISITED DEPT JULY 15 AT HIS REQUEST. HE PRESENTED TWO AIDE MEMOIRES "ON BEHALF OF ITALY AND AS EC PRESIDENCY" TO PREEG, DIRECTOR, EUR/RPE. FIRST URGES DEPT'S BEST EFFORTS TO PREVENT CONGRESSIONAL ABOLITION OF TAX DEDUCTIONS FOR OVER-SEAS PRIVATE BUSINESS CONVENTIONS. SECOND INDICATES EC "REGRET" AT ALLEGED RIGIDITY OF US POSITION CONCERNING GENTLEMEN'S AGREEMENT ON EXPORT CREDITS AND REQUESTS NEW USG INITIATIVES. SERAFINI ALSO INDICATED UNHAPPINESS THAT ITALY WAS NOT BRIEFED ON POSSIBLE AID TO EGYPT AT SAME TIME FRANCE, GERMANY, UK AND NETHERLANDS WERE. END SUMMARY.

1. FIRST AIDE MEMOIRE REFERS TO DISCUSSIONS IN HOUSE WAYS AND MEANS COMMITTEE OF TAX REFORM MEASURES AND MAKES SPECIFIC REFERENCE TO SECTION 306 OF HR 1040, WHICH WOULD ABOLISH TAX DEDUCTIONS FOR EXPENSES OF US CORPORATIONS AND CITIZENS IN CONNECTION WITH ATTENDANCE AT CONVENTIONS, SEMINARS, ETC., HELD OUTSIDE THE US. AIDE MEMOIRE STATES THAT SUCH MEETINGS "PLAY A SIGNIFICANT ROLE IN PROMOTING COMMERCIAL AND CULTURAL EXCHANGES BETWEEN THE US AND THE EC

MEMBER COUNTRIES." AM EXPRESSES "HOPE . . . THAT THE DEPARTMENT OF STATE WILL USE ITS BEST ENDEAVORS TO ENSURE THAT THE PROPOSED LEGISLATION WILL NOT RESTRICT ATTENDANCE BY US FIRMS AND INDIVIDUALS AT SUCH SEMINARS OUTSIDE THE NORTH AMERICAN AREA." IN ORAL PRESENTATION, SERAFINI INDICATED EC "OBJECTS STRONGLY" TO BOTH ABOLITION OF DEDUCTION GENERALLY, AND TO "DISCRIMINATORY" EXEMPTIONS FROM ABOLITION FOR SUCH AREAS AS MEXICO, BAHAMAS AND CARIBBEAN (DISCRIMINATION ARGUMENT NOT MENTIONED IN AIDE MEMOIRE). PREEG NOTED THAT HOUSE WAYS AND MEANS BILL HAD ORIGINALLY EXCLUDED ALL FOREIGN CONVENTION EXPENDITURES AND THEN ADDED EXEMPTIONS FOR MEXICO, BAHAMAS AND CARIBBEAN. EXECUTIVE BRANCH HAD SUPPORTED A TRANSITION PERIOD FOR ANY SUCH EXEMPTIONS. OUTLOOK FOR BILL AT THIS TIME APPEARS UNCLEAR. PREEG ASSURED THAT AIDE MEMOIRE WOULD BE CIRCULATED TO RELEVANT EXECUTIVE BRANCH PARTIES.

CONFIDENTIAL

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2. SECOND AIDE MEMOIRE READS AS FOLLOWS. QTE THE US PROPOSALS ON THE "GENTLEMEN'S AGREEMENT" ON EXPORT CREDITS WERE COMPLETELY UNACCEPTABLE. A MEETING OF THE EEC COMMISSION WHICH WAS TO CONSIDER THE US PROPOSAL ADJOURNED IMMEDIATELY BECAUSE THE US POSITION LEFT NO BASIS WHATSO-EVER FOR DISCUSSION. EEC REGRETS THAT RIGIDITY IN US ATTITUDE PREVENTED THE ATTAINMENT OF FURTHER PROGRESS IN THE "GENTLEMEN'S AGREEMENT." EEC IS HOPEFUL THAT THE US

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

WILL NOW PUT FORWARD FURTHER SUGGESTIONS TAKING THE FORE-
GOING INTO ACCOUNT. UNQTE

3. SERAFINI COMMENTED ON SECOND AIDE MEMOIRE THAT EC
FOUND IT "TROUBLESOME" THAT USG PROFESSED ITSELF WILLING
TO ENGAGE IN TALKS ON GENTLEMEN'S AGREEMENT AND THEN
REFUSED TO DEPART FROM LONG-STANDING POLICIES. HE
CHARACTERIZED THE MEETING WITH THE COMMISSION AS "A WASTE
OF TIME," SAID EC WAS "MOST DISAPPOINTED" WITH USG ATTI-
TUDE AS REFLECTED THERE, AND URGED NEW USG INITIATIVES ON
GENTLEMEN'S AGREEMENT. PREEG NOTED THAT ISSUE WAS PERHAPS
MORE COMPLICATED THAN SERAFINI SUGGESTED, AND SAID THAT
USG ATTITUDES WERE USUALLY DETERMINED BY THE SPECIFICS OF
THE SUBJECT UNDER ANY GIVEN DISCUSSION. HE ASSURED SERA-
FINI THAT THIS AIDE MEMOIRE TOO WOULD BE CIRCULATED TO
INTERESTED AGENCIES OF USG AND THAT WE WOULD BE CONSIDERING
WHAT MIGHT BE POSSIBLE AT THIS JUNCTURE. COMMENT: AS
EMBASSY AWARE, NEW US PROPOSALS FORWARDED VIA STATE
166580, AND ROME 10273 REPORTS ITALIANS WELCOME THEM BUT
STRESS THAT REAL PROBLEM IS "FRENCH INSISTENCE ON A
"FRENCH AGREEMENT." WE BELIEVE THOSE PROPOSALS DEMONSTRATE
US COMMITMENT TO CONTINUANCE OF NEGOTIATIONS. REFERENCE
TO US "PREVENTION" OF "FURTHER PROGRESS" APPARENTLY MEANS
US DID NOT ACCEPT LATEST EC POSITION, WHICH EC ADMITS IS

BASICALLY ATTEMPT TO MOLLIFY FRENCH. WE SOMEWHAT PUZZLED
BY REFERENCE TO "ADJOURNMENT" OF EC COMMISSION MEETING,
SINCE WE WERE INFORMED MEETING NEVER TOOK PLACE (EC
BRUSSELS 6126). FURTHER BACKGROUND US RESPONSE TO EC
CLAIM OF "RIGIDITY" PROVIDED IN STATE 162279.

4. SERAFINI NOTED THAT ITALY HAD NOT BEEN INVITED TO
JULY 10 IBRD-POATS BRIEFING ON EGYPTIAN BOP SITUATION, AND
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PAGE 04 STATE 170938

INTERNATIONAL EMERGENCY AID PLAN (STATE 166751NOTAL).
HE MADE CLEAR ITALIAN DESIRE TO BE KEPT FULLY INFORMED ON
SUCH ISSUES DURING ITS ROLE AS EC PRESIDENCY, INDICATING
SOME SENSITIVITY ON THIS POINT. IN RESPONSE TO A QUESTION,
SERAFINI SAID ITALY'S ECONOMIC PROBLEMS MIGHT PREVENT IT
FROM BEING A "MAJOR CONTRIBUTOR" TO ASSISTANCE PLAN, BUT
WAS UNABLE TO SAY WHETHER OR NOT ITALY COULD CONTRIBUTE
AT ALL. ON THE OTHER HAND, HE SAID ITALY WOULD BE A "GOOD
SPEAKER" FOR PLAN WITHIN THE EC AND WOULD FIGHT FOR THE
CONCEPT. HE INDICATED THAT EC THINKING ON ASSISTANCE TO
EGYPT WAS STILL VERY GENERAL AND THAT HE KNEW OF NO DECI-
SIONS ON HOW ASSISTANCE COULD BE PROVIDED (EG THROUGH
INVESTMENT FUND OR FROM BUDGETARY ASSESSMENTS). PREEG
STRESSED THAT USG STRONGLY SUPPORTS CLOSE DIALOGUE WITH
ITALIAN EC PRESIDENCY ON RANGE OF ISSUES AND, ON PARTICULAR

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

ISSUE OF ASSISTANCE TO EGYPT, HOPED THAT EC MEMBERS WOULD CONTRIBUTE THEIR APPROPRIATE SHARE. HE EXPRESSED URGENCY OF EGYPTIAN ASSISTANCE NEEDS AND DESIRE OF USG TO KEEP IN CLOSE TOUCH WITH PRESIDENCY BOTH IN WASHINGTON AND ROME ON THIS.

5. SERAFINI SAID ITALIANS WERE INTENT ON CONDUCTING AN OPEN PRESIDENCY IN ITS RELATIONS WITH THE US, AS PROVED BY THE FRANKNESS OF HIS PRESENT COMMENTS, AND THAT ITALY WAS "AT DISPOSAL" OF USG IN CONVEYING US VIEWS TO THE EC. COMMENT: SERAFINI MADE HIS SERIES OF POINTS IN A FORTH-RIGHT BUT FRIENDLY MANNER. HE SEEMED EAGER TO CONVEY SERIOUSNESS WITH WHICH ITALY IS TAKING ITS ROLE AS EC PRESIDENCY AND RESULTING SENSITIVITY WHICH OCCURS WHEN, AS IN EGYPTIAN ASSISTANCE BRIEFING, IT FEELS THAT ROLE MAY NOT BE FULLY RECOGNIZED. KISSINGER

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Margaret P. Grafeld
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